

Message Text

CONFIDENTIAL

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53

ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 PA-04

PRS-01 USIA-15 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01 /151 W

----- 019896

R 170750Z DEC 73

FM AMEMBASSY KABUL

TO SECSTATE WASHDC 6179

INFO AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

AMEMBASSY TEHRAN

C O N F I D E N T I A L KABUL 8519

E.O. 11652: GDS

TAGS: AFIN, AF

SUBJECT: KABUL MONEY MARKET

REF: KABUL 8358

1. SUMMARY: SINCE REFTTEL, GOA PUBLISHED "OFFICIAL" ANNOUNCEMENT BANNING MAILING OF MONEY INSTRUMENTS. MONEY MARKET IS ADJUSTING, CONTINUING OPERATIONS AS BLACK MARKET, BUT RESTRICTING ACTIVITIES. RUMORS ABOUND THAT BAN ON MAIL WILL BE LIFTEDD.

2. ON DECEMBER 11, ALL PAPERS CARRIED A NOTICE READING (ENGLISH VERSION), QUOTE ON THE BASIS OF ARTICLE 7 OF REGULATIONS GOVERNING LOCAL POSTAL SYSTEM, THE MAILING OF CASH MONEY, CHEQUES AND ALL FOREIGN CURRENCIES IS -- FORBIDDEN. IT IS HOPED PEOPLE WILL REFRAIN FROM SUCH PRACTICES AND THOSE VIOLATING, THEIR MAILS WILL BE CONFISCATED. END QUOTE. SINCE PAPERS ARE GOA ORGANS, THIS WAS OFFICIAL CONFIRMATION OF ACTION OF TWO WEEKS AGO, WHICH IN EFFECT CLOSES THE OPEN MONEY MARKET.

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3. THE REGULATION REFERRED TO IS AN OLD LAW, BUT HAS NOT RPT NOT BEEN ENFORCED FOR OVER TEN YEARS. TECHNICALLY, THE OPERATIONS OF THE MONEY MARKET HAVE BEEN ILLEGAL ALL ALONG, BUT THIS PLACED THE MARKET ON NOTICE THAT THEIR ACTIVITIES WOULD BE CONSIDERED ILLEGAL IN FACT.

4. HOWEVER, AS OF DECEMBER 17, MONEY DEALERS REPORT THAT THEY ARE AGAIN USING THE POSTAL SYSTEM TO SOME EXTENT. FOLLOWING A MEETING BETWEEN THE ACTING CENTRAL BANK GOVERNOR AND THE MINISTER OF FINANCE, THEY UNDERSTAND THAT "THE GOA WILL NOT BE STRICT IN ENFORCING THE NOTICE." THE MARKET IS AGAIN BUYING CHECKS IN SMALL AMOUNTS, AND THE BUYING RATE FOR CHECKS HAS JUMPED FROM 56 TO 58-58 1/2 PER DOLLAR.

5. GOA IS NOT RPT NOT UNITED ON THIS ACTION. OFFICIALS OF BANKS ARE OPENLY OPPOSED, SAYING THEY DO NOT HAVE CAPACITY TO HANDLE MONEY MARKET BUSINESS. CHAMBER OF COMMERCE AND COMBINED MONEY MERCHANTS HAVE REPORTEDLY SENT PETITIONS TO PRESIDENT DAOUD ASKING TO RESCIND ORDER. IT IS RUMORED THAT PUBLICATION OF NOTICE WAS AN ERROR, AND THAT PRESIDENT OF POST & TELEGRAPH, WHOSE OFFICE ISSUED NOTICE, IS ANGRY AT PUBLICATION.

6. COMMENT: IF PUBLICATION OF NOTICE WAS INDEED IN ERROR, IT PLACED GOA IN DIFFICULT POSITION. SINCE IT IS AN OLD LAW, TO RESCIND NOTICE MAY REQUIRE DECREE ABOLISHING OLD LAW, THEREBY OFFICIALLY MAKING MONEY MARKET TRULY LEGAL. THIS IS MAJOR ECONOMIC DECISION, AND GOA NOT YET APPARENTLY GEARED UP FOR SUCH A BASIC DECISION. ON THE OTHER HAND, ECONOMIC COMMON SENSE DICTATES SOME ACTION TO PERMIT OPERATION OF MARKET, AS BANKS CURRENTLY SWAMPED TRYING TO MANAGE 40 PERCENT OF FOREIGN EXCHANGE BUSINESS, AND CANNOT ABSORB NEW LOAD. THE GOA MAY, HOWEVER, BE CONTENT TO INFORM MARKET PRIVATELY THAT IT CAN CONTINUE WITHOUT EVER RESCINDING NOTICE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 17 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KABUL08519
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: KABUL
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1973/newtext/t19731221/aaaaapiz.tel
Line Count: 97
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: KABUL 8358
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 12 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Dec-2001 by kelleyw0>; APPROVED <02-Jan-2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KABUL MONEY MARKET
TAGS: AFIN, AF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005